
TRI-BOARD MEETING – SEPTEMBER 16, 2013
BOARD OF SELECTMEN, FINANCE COMMITTEE & SCHOOL COMMITTEE

I. Call to Order/Roll Call

Board of Selectmen Chairman Alex Vispoli called the Tri-Board Meeting to order at 7:07 P.M. in the School Committee Room in the School Administration Building. Present from the Board of Selectmen: Chairman Vispoli-Y and Selectmen Mary Lyman-Y, and Dan Kowalski-Y.

Finance Committee Chairman S. Jon Stumpf opened the meeting for the Finance Committee. Present were: Chairman Stumpf and members Mary O'Donoghue-Y, Joanne Marden-Y, Peggy Kruse-Y, Paul Fortier-Y, Jeannie Moffitt-Y and John Barry-Y.

School Committee Chairman Dennis Forgue opened the meeting for the School Committee. Present were: Chairman Forgue and members Paula Colby-Clements-Y, Annie Gilbert-Y, David Birnbach-Y and Barbara L'Italien-Y.

Also present: Town Manager Reginald S. Stapczynski, Superintendent of Schools Marinel McGrath, Assistant Superintendent Paul Szymanski, Director of Human Resources Candace Hall and HR Benefits Coordinator Rita Marconi. The meeting was duly posted and cablecast live.

II. Opening Ceremonies/Moment of Silence/Pledge of Allegiance

Chairman Vispoli led the members in a Moment of Silence followed by the Pledge of Allegiance.

III. Health Insurance Presentation

The Town Manager introduced Ken Lombardi from EBS Foran and distributed a handout of the presentation on the Town's Employee Health Insurance Plan and managing the Town's liability for Other Post Employee Benefits (OPEB). The Town must comply with the law and in accordance with MGL 32B, offer health insurance from the date of hire to employees who work twenty hours or more per week. The Opt-Out option allows covered members to receive a stipend (first year only) if they can get coverage elsewhere.

The current health insurance plan is underwritten by MIAA (Mass Inter-local Insurance Association), a self-funded trust with a membership of over 121 cities/towns/school districts including Andover with health insurance through Blue Cross/Blue Shield. Mr. Lombardi went over the recent plan activity from 2009 to 2013. The negotiations with MIAA for FY-2014 health insurance coverage resulted in a 0% premium renewal rate adjustment. Request for proposals went out to other health insurance carriers and other health care options were investigated. Over nineteen communities were polled about

their health plans, insurance rates, deductibles, and co-pays, etc. Andover's plan rates benchmark well against the State Health Plan. Mr. Lombardi presented comparisons of Andover's information vs. national groups for prescriptions, emergency room visits, co-pays for office visits and for in-patient and out-patient visits.

Mr. Lombardi explained the three options available to communities when they are considering changing plans. They can negotiate with each individual union, accept coalition bargaining or invoke Section 21A which the Andover Board Selectmen did in January 2012. Andover's current three-year agreement with PEC runs through 2015.

The health insurance options and cost for retired teachers was presented and it was noted it would be beneficial to the Town to move the retired teachers insurance to the Town Plan; currently it is through the GIC which the State controls pricing and plan design with limited options driving the Town premiums up. Options for retirees are limited upon geographic areas.

A question and answer period followed the presentation by Mr. Lombardi.

IV. OPEB Presentation

Town Manager Buzz Stapczynski presented recommendations for OPEB (Other Post Employment Benefits) or retiree benefits other than pensions. In 2008 the US Government mandated communities to publicly disclose OPEB costs and liabilities requiring disclosures on financial statements and actuarial liability projections every two years.

Andover's first actuary report was done on June 30, 2009, then June 30, 2011 and the third report is due later this year. Andover's liability projected at \$245M for 2009 was reduced by \$30M in 2011 due to cost saving changes made in 2010 to the Employee Health Insurance Plan. The annual required contribution (ARC) was \$15.4 million per year (\$215M amortized @ 4.5% over 30 year) and the Town will be paying a lot of attention to what the AAL (Actuarial Accrued Liabilities) will be when the report comes out towards the end of the year. A favorable report is anticipated due to our Health Insurance Reform that will positively impact our AAL by adopting a formal OPEB funding policy.

At the 2008 Annual Town Meeting, residents voted in favor of establishing an OPEB Trust Fund with an initiation appropriation of \$250K from Free Cash and Sewer Reserves. The current balance of the Trust Fund is \$1.4 million. The Town Manager is recommending continuing to pre-fund the liability as an annual fixed cost appropriation, adoption of a formal funding policy as part of the Town's standard financial policies and to consider moving the Town's OPEB funds into the State's PRIT SRB Trust Fund for a higher return on investments.

Governor Patrick submitted House Bill 59 for Retiree Healthcare Benefits Reform which would increase the minimum number of years of service required from 10 to 20 years and increase the minimum age for eligibility to 60 for Group 1, 50 for Group 4 (Police/Fire), and to prorate benefits on a scale from a 50% premium contribution after 20 years to the maximum current retiree benefit at 30 years. The Town Manager recommends the Boards work with Andover's Legislative Delegation to support passage of this bill. This legislation will only affect new hires once it is passed.

The Town Manager recommended increasing the threshold for health insurance for part-time employees in Andover from 20 to 30 hours per week. This process will require a series of public hearings, retirees have a non-binding vote and the final decision rests with the Board of Selectmen. He also recommended they continue to explore various health insurance cost containment options that can be introduced in the next round of contract negotiations and that the Board of Selectmen initiate the process to reacquire the Retired Municipal Teachers from the GIC.

The Town Manager also recommended that Town Departments continue to investigate and pursue alternative options for providing services with fewer personnel and that the Town and PEC explore options to restructure existing health insurance premium contributions splits to minimize impacts to retirees and reduce our long-term OPEB liability.

In addition, the Town Manager recommended the Retirement Board change the service credits for the part-time employee policy to be in-line with the OPEB recommendation which is to pro-rate service credit (20 hours per week = 6 months of creditable service). He also recommended that the School Committee look at the costs and benefits of bringing Special Ed services in-house vs. contracting outside placements in relation to the additional costs to health care and OPEB.

The Town Manager recommended a 27-year OPEB Funding Plan to include appropriations from the Operating Budget to increase OPEB funding \$100,000 annually from the General Fund and Water/Sewer Enterprise Fund, designate 25% of annual Free Cash into the OPEB Trust Fund and in FY-15 recommends an additional \$900,000 be appropriated to OPEB.

The liability for OPEB is complex requiring a long-term, multi-pronged approach to address it over the next ten to twenty years. The process requires on-going collaboration, commitment and cooperation of the entire Town (Selectmen, School Committee, Finance Committee, Retirement Board and all employee groups) to work together to reducing this liability.

A question and answer period followed the presentation.

V. Adjournment

At 9:45 P.M. on a motion by Selectman Lyman and seconded by Selectman Kowalski, the Board of Selectmen voted 3-0 to adjourn. Roll call: Chairman Alex Vispoli-Y and Selectmen Mary Lyman-Y and Dan Kowalski-Y.

On a motion by Paula Colby-Clements and seconded by Annie Gilbert, the School Committee voted 5-0 to adjourn. Roll call: Chairman Dennis Forgue-Y and members David Birnbach-Y, Barbara L'Italien -Y, Annie Gilbert-Y and Paula Colby-Clements-Y.

On a motion by Paul Fortier and seconded by Peggy Kruse, the Finance Committee voted to adjourn. Roll call: Chairman Jon Stumpf-Y and members Joanne Marden-Y, Peggy Kruse-Y, Paul Fortier-Y, John Barry-Y, and Mary O'Donoghue-Y.

Respectfully submitted,

Dee DeLorenzo
Recording Secretary

Documents: Health Insurance Presentation
OPEB Recommendations – Town Manager's Report